



Tronox Navajo Area Uranium Mines & Settlement Fund Allocation Strategy

October 13, 2021

Welcome and Opening Remarks



Navajo Nation: Valinda Shirley, Executive Director Navajo EPA

New Mexico: Jerry Schoeppner, Director, Mining and Mineral Division
John Rhoderick, Acting Director, Water Protection Division

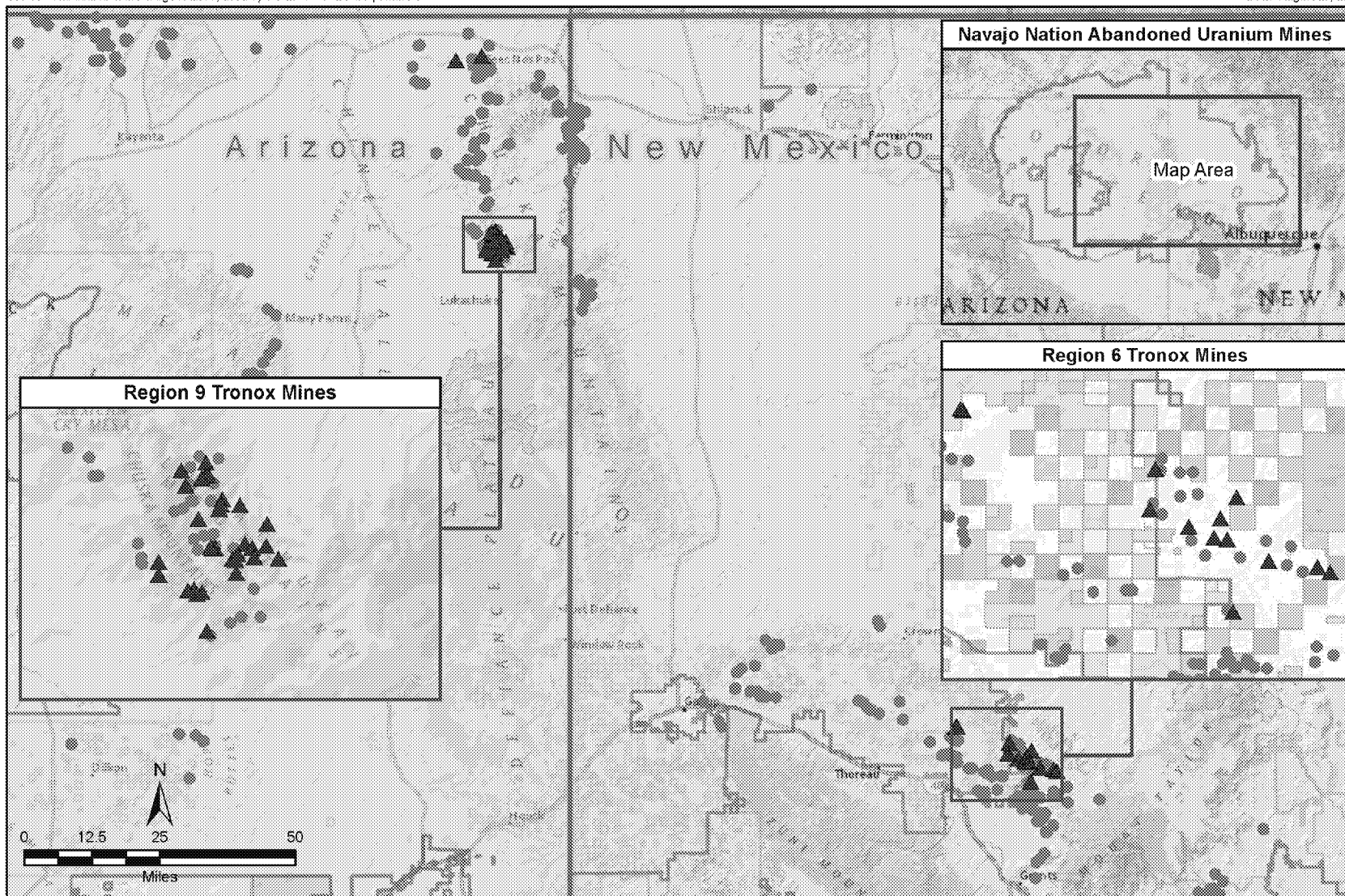
Region 6: Susan Webster, Branch Chief, SEMD

Region 9: Will Duncan, Assistant Director, SEMD

EPA HQ: Shahid Mahmud, OMDP

Presenters: Kevin Shade (Region 6) Pam Travis (Region 6)
Krista Brown (Region 9) Laurie Williams (Region 9)

Facilitator: Pam Avery



- Legend**
- ◆ Abandoned Uranium Mine
 - ▲ Tronox Abandoned Uranium Mine
 - EPA Region Boundary
 - ▭ Navajo Nation Boundary
 - ▨ Bureau of Land Management
 - ▩ Forest Service
 - ▧ Private Land
 - ▤ State Land
 - ▥ Tribal Land

Abandoned Uranium Mines
Tronox Mines - EPA Regions 6 and 9



Information Overview



- Office of Inspector General (OIG) Audit Background
- Proposed Allocation Strategy and Enforcement
- Process for gathering input/Next Steps

Office of Inspector General Audit



- **2017** – OIG initiates audit of EPA’s use of the almost \$1 billion Tronox Funds (\$900 million for NAUMS; and an additional \$90 million for largest Tronox mine – the Quivira Mine Site)
- **2018** – OIG report with deadlines based on EPA timing estimates
- **2020** – Regions 6, 9 and OMDP update to OIG on progress

Office of Inspector General Audit



- **Completed**

- 2019 R6 and R9 Removal Site Evaluations
- 2020 R6 Draft EE/CAs
- January 2021 Prioritization List submitted to OIG, NM, and NN
- September 2021 R9 Draft EE/CAs without preferred alternatives

- **Remaining Commitment Deadlines**

- December 31, 2021 – EPA to complete Funding Allocation Strategy
- December 31, 2021 – Region 9 to complete draft EE/CAs (without a recommended alternative).
- May 2022 – EPA to complete Final Resource Allocation.

Assumptions for Proposed Allocation Strategy



- Insufficiency of Tronox Funds: \$924 million available vs \$1.9 billion estimate for 54 sites and EPA's costs.
- Remedy/Cost Uncertainty: Will be resolved as investigation and cleanup moves forward over a relatively long period of time (a decade or more).
- Other Financially Viable PRPs Exist: Appropriate allocation of Tronox funds is important for successful negotiations with these parties to secure full funding for all 54 sites.
- Allocation: The goal of proportional allocation is to achieve full funding at all sites and rough justice for all remaining PRPs.

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Assumptions for Proposed Allocation Strategy



- Fair, Reasonable, in the Public Interest and Consistent with the CERCLA/NCP: Allocation criteria should lead to PRP settlements that can be readily approved by a federal court.
- Proportional Funding/Bankruptcy Claims Model: The proportional allocation strategy is similar to a bankruptcy court approach, appropriate when assets are insufficient to pay all claims.

Allocation Strategy



- Tronox Settlement will fund an equal percentage of capital costs at each mine or mine grouping where viable PRPs exist
- Remaining funding or work will be sought from viable PRPs
- Current calculations indicate proportional allocation may allow approximately 39% of capital costs to be funded by Tronox Settlement

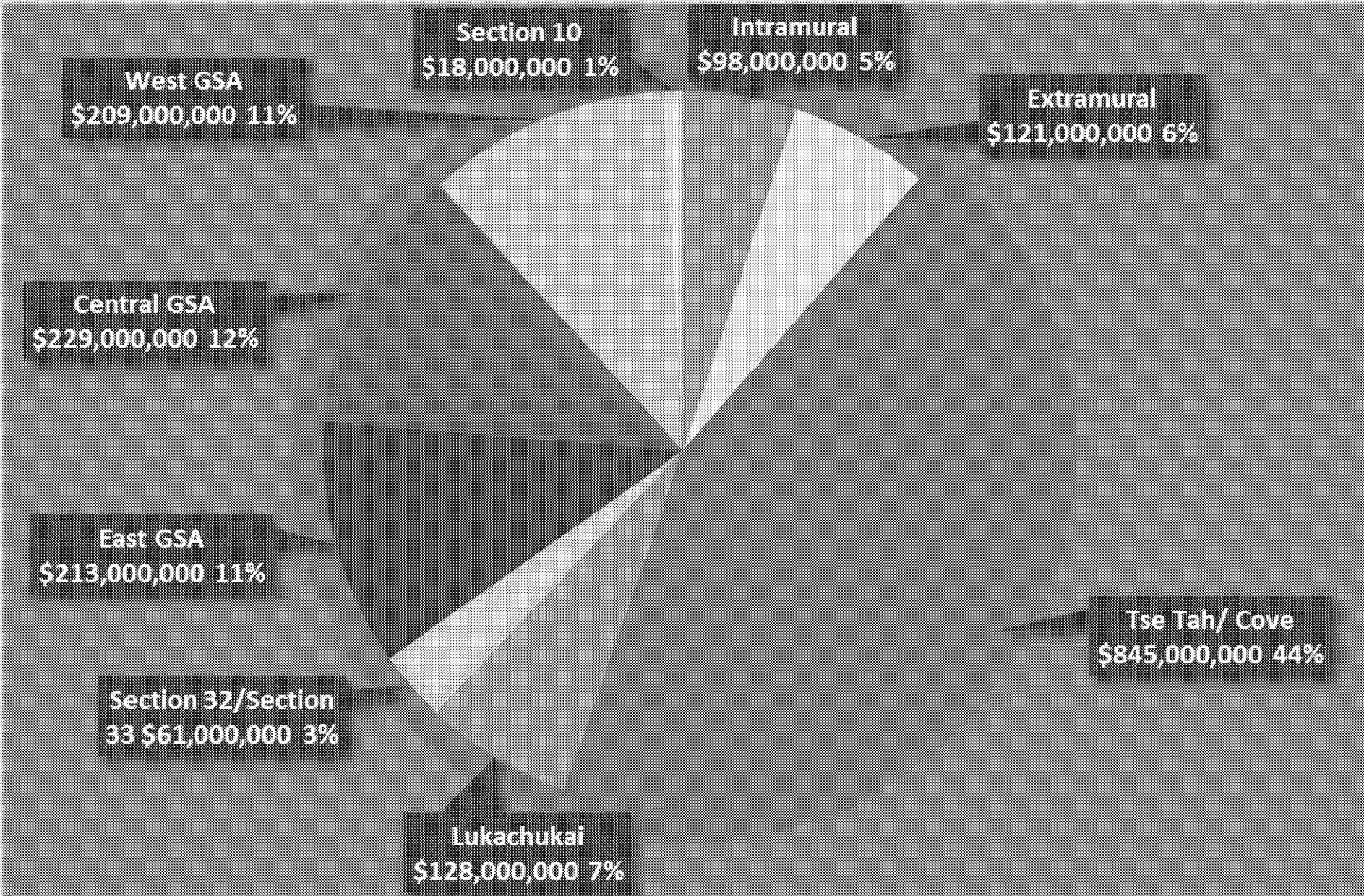
Basis for Response Cost Estimates

Current Estimates are prior to decision documents – final decisions/estimates will be made in Action Memos

Options used for Estimates:

- R6/New Mexico: Regional Repositories
- R9/Navajo Nation: Off-Navajo Nation option for estimates

\$1,922,000,000 estimated for total response costs



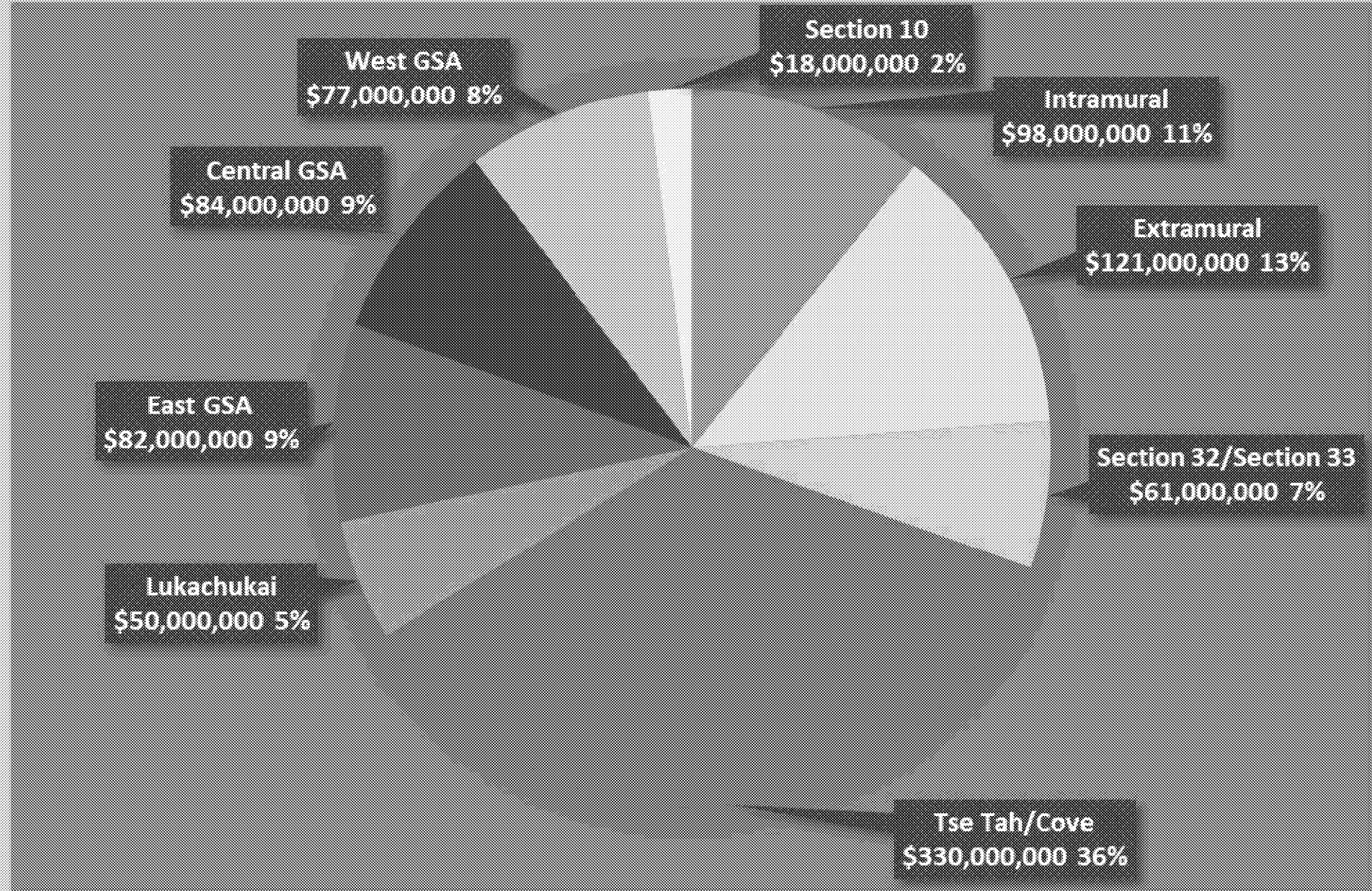
Tronox/Non-Tronox Share of Future Costs

- **Current Tronox Balance: approx. \$924,000,000**
- Scenario and amounts are for illustrative purposes only
- Result: Non-Tronox PRP share may be approximately 61%
- Under this scenario, after ensuring funds are retained for oversight, interim actions and future maintenance (\$219M), Tronox Funds may only cover approximately 39% of total capital costs.
- Uncertainties on Cost Estimates for Mine Site cleanup are substantial.

Mine Grouping	Capital Costs Tronox Share	Capital Costs Non-Tronox Share
Section 32/Section 33	\$61,000,000	\$0
East GSA	\$82,000,000	\$128,000,000
Central GSA	\$84,000,000	\$131,000,000
West GSA	\$77,000,000	\$121,000,000
Section 10	\$18,000,000	\$0
Tse Tah/Cove	\$330,000,000	\$516,000,000
Lukachukai	\$50,000,000	\$78,000,000
TOTALS	\$702,000,000	\$974,000,000
Capital Costs Grand Total		\$1,676,000,000

Special Account Planning of Remaining Funds

\$921,000,000



Enforcement



- **Additional Financially-Viable PRPs**
 - Former Operators - Mining Companies (Cyprus Amax, Rio Algom Mining and others)
 - Department of Energy, Successor to Atomic Energy Commission
 - Department of Interior, Bureau of Indian Affairs (BIA)
- **Region 6 issued CERCLA General Notice to PRPs and Federal Agencies 2018 - 2020**
- **Region 9 issued CERCLA General Notice to PRPs and Federal Agencies in September 2021**
- **2019 Court Decision in El Paso Natural Gas v. United States:** re Non-Tronox AUMs on Navajo - Allocated 65% liability to private operator and 35% to United States (decision was not appealed).
- **Settlements of US liability at Uranium Mines Sites:** In three settlements between 2011 and 2018, the US agreed to settle mining company contribution claims for roughly 25% - 50% of total Site response costs.
- **Allocation is needed to begin negotiations with PRPs so cleanup can begin.**

Key Takeaways



- Cleanups: USEPA intends to address all of the Tronox NAUM Sites.
- Tronox Insufficiency & Viable PRPs: While Tronox Settlement Funds are insufficient, financially viable PRPs are available to address shortfall.
- Regulatory Stakeholder Input: EPA will work with Navajo Nation and New Mexico to address their concerns regarding the proposed strategy and cleanup issues.
- Allocation decisions are needed to get to cleanup.

Next Steps



- Process for Input: USEPA is seeking input from Navajo Nation and New Mexico to inform our December 31, 2021 Allocation Strategy submittal to the Inspector General.
- Schedule next meeting in 3-4 weeks (November 8 week). Consultation needs to be scheduled (target November 15 week?)
- OIG - USEPA next update to OIG December 31, 2021



Q and A